Indiana
Department of Local Government Finance

Committed to a fair and equitable property tax system for Hoosier taxpayers.

Association of Indiana Counties Budget & Finance Course

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Agenda

- The Importance of Budgeting
- 2014 Status Update
- 2015 Budgets
    - Timeline
    - Non-Binding Recommendations
    - Binding Adoption
- Maximum Levies
- Protected Taxes

The Importance of Budgeting

The Importance of Budgeting

- The budget is more than just a bunch of numbers.
- The budget creates legal limits:
  - Appropriations – spending authority;
  - Levy – how much money will be raised from taxpayers; and
  - Tax Rate – drives the amount of circuit breaker credits.

The Importance of Budgeting

- The budget identifies the priorities of the taxing unit.
- The budget defines the organization of the taxing unit and the way in which it will operate during the budget year.
- The budget is a communication device for the taxing unit.

The Budget Cycle

The Budget Cycle

- The budget cycle is an ongoing process.
- While we primarily focus on the annual budget process, the budget cycle should be followed through other periods of time:
  - Short-Term
    - Ex. Monthly, quarterly
  - Long-Term
    - Ex. Multi-year projects

The Budget Cycle

- At any point in time, a taxing unit can be at various stages in multiple budget years:
  - April 10, 2014
    - Budget Year 2013 – completing annual reporting, prepping for SBOA audit.
    - Budget Year 2014 – monitoring current spending as compared to approved budget.
    - Budget Year 2015 – preparing priorities and initial budget requests.
    - Budget Year 2016 – long-term planning.

2014 Status Update

2014 Budget Orders and Billing

- 2014 Certified Budget Orders
  - 91 budget orders certified by February 15.
  - LaPorte County budget order certified March 11.
- Anticipated On-Time Billing
  - At least 91 counties with a May 12 due date.

2015 Budgets

2015 Budget Preparation

- It’s never too early to start budget preparation!
- Ways to prepare now:
  - Review current and expected status of the 2014 budget.
  - Start outlining priorities for 2015.
  - Create a calendar of key dates throughout the budget process.
    - Take action early!
  - Start working with department heads on their budget requests for 2015.

2015 Timeline

- March 31, 2014
  - Sales data submission to the Department’s Data Division.
  - First step in the process is sales data must be compliant before a ratio study can be reviewed and approved.
  - As of April 7, 2014, 49 sales submissions are compliant out of 64 submissions.

2015 Timeline

- May 1, 2014
  - Recommended date for ratio study submission to the Department's Assessment Division.
  - As of April 7, 2014, 2 ratio studies have been approved out of 4 submitted.

2015 Timeline

- June 30, 2014
  - Settlement date for the May tax collections.
  - First six months' fund balances and operating results available.
    - Can start to complete the Current Year Financial Worksheet on Gateway.
- July 1, 2014
  - Deadline for roll and balance of gross assessed values from county assessor to county auditor.

2015 Timeline

- July through August
  - Department-conducted budget workshops will be held in each county.
  - Field rep will be available to meet with each taxing unit in the county to assist in preparing the 2015 budget.
  - Prior to attending workshops, please create a proposed calendar to allow you to meet all statutory deadlines.

2015 Timeline

- July 15, 2014
  - Redevelopment commissions must file a letter indicating any available TIF surplus.
    - TIF Passthrough
    - AV of TIF Released
- In advance of certification of net assessed values, county auditor prepares and submits TIF Neutralization worksheets to the Department.
  - Upon approval, be sure to apply the neutralization factor within your system.

2015 Timeline

- August 1, 2014
  - Deadline to submit 2014 pay 2015 net assessed values to the Department through Gateway.
  - Submission of NAVs generally determine the order in which a county's budget will be reviewed.

2015 Timeline

- August 1, 2014
  - Prior to submission, determine appropriate amount of AV withholding to provide sufficient “cushion” for deduction filings through the end of the year.
  - If you need to withhold more than 2% of net AV within any taxing district, you must submit a request to the Department prior to certification.

2015 Timeline

- September 2, 2014
  - Deadline for taxing units to submit necessary information to county council or city/town fiscal body for non-binding recommendation or binding adoption.
  - Submission expected to be done through Gateway.
  - It is the taxing unit's responsibility to submit this information by the deadline.

2015 Timeline

- September 13, 2014
  - Last day for first publication of proposed 2015 budget, levy, and notice to taxpayers of public hearing (Budget Form 3).
    - At least 10 days before public hearing.
  - For units subject to binding adoption, the appropriate fiscal body is responsible for the proper publication of the notice.

2015 Timeline

- September 13, 2014
  - In addition to submitting the Form 3 to the newspaper for publication, there is now also a statutory requirement that the Form 3 be submitted on Gateway with the same timing as the publication.
    - At least 10 days before the public hearing.

2015 Timeline

- September 20, 2014
  - Last day for second publication of proposed 2015 budget, levy, and notice to taxpayers of public hearing (Budget Form 3).
    - At least 3 days before public hearing and at least 7 days after first publication.

2015 Timeline

- October 1, 2014
  - Last day for county fiscal body to complete non-binding recommendations to taxing units on proposed 2015 budgets, levies, and tax rates.

2015 Timeline

- October 22, 2014
  - Last possible day for taxing units to hold a public hearing on the 2014 budget.
    - Must be held at least 10 days before the budget adoption.

2015 Timeline

- November 1, 2014
  - Last <u>possible</u> day for budget adoption.
- Submission of budget forms through Gateway must occur within 2 days after budget adoption.

Non-Binding Recommendations

- Taxing units included
  - Any taxing unit (other than the county unit) that is not subject to binding adoption of its proposed budgets and levy by an appropriate fiscal body.
    - Taxing units with elected fiscal bodies/boards.
    - Libraries with an appointed board where the growth in the proposed budget is less than the AVGQ.

Non-Binding Recommendations

- Information to be provided by taxing unit that proposes to levy a property tax in the ensuing year.
    - Proposed budget, levy, and tax rate for non-school units.
    - Proposed levy and tax rate for schools.

Non-Binding Recommendations

- County responsibilities – Non-School Units
  - Review the proposed budgets, levies, and tax rates for the taxing unit.
  - Must issue a <u>recommendation</u> regarding the taxing unit's proposed budgets, levies, or tax rates.
    - Must include comparison to Indiana AVGQ and the county's average increase in non-farm personal income for the preceding six years.
    - Must include comparison to increases in the budgets and tax levies of other taxing units in the county.

Non-Binding Recommendations

- County responsibilities – Schools
  - Review the proposed levies and tax rates for the school.
  - No recommendation is required.

Non-Binding Recommendations

- If the taxing unit fails to file the necessary information by September 2, the taxing unit will receive its most recent annual appropriations and tax levies.
- If the county council fails to perform both the review AND recommendation by October 1, the county will receive the most recent annual appropriations and tax levies.

Binding Adoption

- Units subject to binding adoption:
  - Taxing units with appointed boards (majority of board unelected).
  - Libraries with appointed boards with growth in the proposed budget which exceeds the AVGQ.
- Proposed budget and levy must be submitted to the appropriate fiscal body by September 2, 2014.
- Appropriate fiscal body is responsible for publishing the required notice of proposed budgets and levies and notice of public hearing, though taxing unit is responsible for paying for this notice.

Binding Adoption

- Appropriate fiscal body must conduct the public hearing for the taxing unit.
- Appropriate fiscal body must adopt the final budget and tax levy for the taxing unit.
  - Fiscal body may reduce or modify but not increase the proposed budget or tax levy.
- Appropriate fiscal body officer (county auditor in the case of county council) serves as the submitter of the budget forms through Gateway.
  - Email gateway@dlgf.in.gov to get submission rights if needed.

Maximum Levies

Types of Funds

- Levy-Controlled Funds
- Rate-Controlled Funds
- Need-Driven Funds

Levy-Controlled Funds

- Controlled by a maximum levy.
- Counties will typically have only one maximum levy.
- Townships and other unit types may have multiple maximum levies broken down by function.

Levy-Controlled Funds

- For a county, the maximum levy is one number that compares to the total levies for the levy-controlled funds.
- A dollar towards one levy-controlled fund is a dollar that cannot go to another levy-controlled fund.

Levy-Controlled Funds

Fund	Certified Levy
General	$500,000
Reassessment	75,000
Health	100,000
Cumulative Capital Development	150,000
Total Certified Levy	$825,000
Working Maximum Levy	$825,457

This county is $457 below its maximum levy.

Levy-Controlled Funds

- Are you “at” your maximum levy?

Example:

- NAV = $878,430,600
- Remove the last six digits of your NAV
- NAV = $878,~~430,600~~
- So long as the county is within $878 of its maximum levy, then the county is “at” its maximum levy.

Maximum Levy

- Maximum levy is a statutory formula that includes many steps.
- The general concept is that maximum levy grows each year by the amount of the assessed value growth quotient (AVGQ).
- AVGQ is calculated by the State Budget Agency and is based on the average change in non-farm personal income over the last 6 years.
- AVGQ is typically released at the end of June.

Maximum Levy

Budget Year	AVGQ	Years Included in Calculation
2009	4.0%	2001 – 2007
2010	3.8%	2002 – 2008
2011	2.9%	2003 – 2009
2012	2.9%	2004 – 2010
2013	2.8%	2005 – 2011
2014	2.6%	2006 – 2012

- Maximum AVGQ of 6.0%

Maximum Levy

- Quick Calculation of Maximum Levy

Example:

- 2013 Working Maximum Levy = $804,539
- 2014 AVGQ = 2.6%
- 2014 Working Maximum Levy = $825,457

Maximum Levy

- Actual Calculation of Maximum Levy for our Sample County.

Example:

- 2013 Maximum Levy = $750,000
- 2013 PTRC = $60,000
- 2013 Permanent Levy Increases = $0
- Total 2013 Result = $810,000

Maximum Levy

- Actual Calculation of Maximum Levy for our Sample County

Example:

- Total 2013 Result = $810,000
- Times 2014 AVGQ: 2.6%
- 2014 Starting Point = $831,060
- Less: 2014 PTRC = $62,000
- 2014 Maximum Levy = $769,060

Maximum Levy

- Actual Calculation of Maximum Levy for our Sample County

Example:

- 2014 Maximum Levy = $769,060
- Mental Health Adjustments = $70,000
- Cumulative Fund Adjustment = $15,000
- Financial Institutions Adjustment = $3,397
- 2014 Working Maximum Levy = $857,457

Maximum Levy

- Why do maximum levies differ among units?
- Maximum levies were initially established in the late 1970s/early 1980s.
- Since that time, various adjustments and appeals have occurred that can impact where a unit's maximum levy is today.

Types of Funds

- Levy-Controlled Funds
- Rate-Controlled Funds
- Need-Driven Funds

Rate-Controlled Funds

- Funds that have a statutory maximum tax rate
  - Cumulative Funds
- The levy to be raised is a result of the tax rate and the NAV.
- Example:
  - NAV = $878,430,600
  - Fund Tax Rate = $0.0333 (per $100 AV)
  - Fund Levy = $292,517

Rate-Controlled Funds

- For most rate-controlled funds, the maximum allowable tax rate will be adjusted each year by a statutory formula.
  - The formula is designed to prevent a unit from seeing a windfall in property tax levy as a result of increased AV.
- Whether a rate-controlled fund is included in the maximum levy calculation or not is dependent on the type of unit and the type of fund.

Need-Driven Funds

- Funds for which the levy is computed to fulfill a particular need:
  - Debt Service Funds
- Example:
  - Bond Payments Due = $400,000
  - Available Funds and Estimated Revenues = $100,000
  - Fund Levy = $300,000

Protected Taxes

Protected Taxes

- Protected taxes are being implemented in 2014.
- Protected taxes are taxes raised for debt-service funds.
- The goal of protected taxes is to ensure that a unit has sufficient revenue to be able to pay its debts when due.

Protected Taxes

- Debt service funds will not be subject to circuit breaker loss.
- The tax rate associated with debt services funds is included for the purposes of computing a unit's overall circuit breaker loss.

- NOTE: Over 65 Circuit Breaker is not included in the statements above. Debt service funds will experience a loss due to Over 65 circuit breaker credits if applicable.

Protected Taxes

- Total Unit Circuit Breaker Loss = $100,000

Fund	Tax Rate	% of Total Tax Rate	Circuit Breaker Credits	% of Circuit Breaker Credits
General	$0.5000	50%	$66,667	67%
Reassessment	0.1000	10%	13,333	13%
Health	0.1500	15%	20,000	20%
Debt Service	0.2500	25%	0	0%
Total	$1.0000		$100,000	

Protected Taxes

- SEA 517-2013 included a provision that will allow a taxing unit to determine to which they would like to allocate the circuit breaker credits associated with the debt service fund.
- Additional information on the process to be followed to do this allocation will be forthcoming from the Department.

Contact the Department

- Courtney Schaafsma, Budget Director
  - Telephone: 317.234.3937
  - Email: cschaafsma@dlgf.in.gov
- Website: www.in.gov/dlgf
  - "Contact Us": www.in.gov/dlgf/2338.htm

Bonus Material

Key Budget Concepts

- Taxing District Rates

Unit	Tax Rate (per $100/AV)
County	0.6000
Township	0.2000
City/Town	0.8000
School	1.0000
Library	0.0500
Special Districts	0.0200
Total Taxing District Rate	2.6700

- Special Districts = Solid Waste Management Districts, Airport Authorities, etc.

Key Budget Concepts

- Property Tax Caps
  - Determined based on the taxing district rate for each individual taxpayer
  - Reduces the amount of taxes paid by the taxpayer and available for distribution to taxing units

Key Budget Concepts

- Property Tax Caps

Gross Assessed Value	150,000
Subtract: Homestead Deduction	(45,000)
Subtract: Supplemental Homestead Deduction	(36,750)
Subtract: Mortgage Deduction	(3,000)
Net Assessed Value	65,250
Multiply: Tax Rate (per $100/AV)	x 2.6700
Calculated Tax Bill	**1,742**

Key Budget Concepts

- Property Tax Caps

Gross Assessed Value	150,000
Multiply: 1% Property Tax Cap	1%
Maximum Tax Bill	**1,500**
Calculated Tax Bill	1,742
Maximum Tax Bill	1,500
Property Tax Cap Credit	**242**

Key Budget Concepts

- Property Tax Caps

Unit	% of Bill	Calculated Bill	Actual Payment	Difference
County	22.5%	391	337	54
Township	7.5%	131	112	19
City/Town	30.0%	522	450	72
School	37.4%	652	562	90
Library	1.9%	33	28	5
Special Districts	0.7%	13	11	2
Totals		1,742	1,500	242

- Example taxing district does not include any circuit breaker exempt rates.

Key Budget Concepts

- Property Tax Caps

Unit	Tax Rate
County	0.6000
Township	0.2000
City/Town	0.8000
School	1.2000
Library	0.0500
Special Districts	0.0200
Total Taxing District Rate	2.8700

Key Budget Concepts

- Property Tax Caps

Gross Assessed Value	150,000
Subtract: Homestead Deduction	(45,000)
Subtract: Supplemental Homestead Deduction	(36,750)
Subtract: Mortgage Deduction	(3,000)
Net Assessed Value	65,250
Multiply: Tax Rate (per $100/AV)	x 2.8700
Calculated Tax Bill	**1,873**

Key Budget Concepts

- Property Tax Caps

Gross Assessed Value	150,000
Multiply: 1% Property Tax Cap	1%
Maximum Tax Bill	**1,500**
Calculated Tax Bill	1,873
Maximum Tax Bill	1,500
Property Tax Cap Credit	**373**

Key Budget Concepts

- Property Tax Caps

Unit	% of Bill	Calculated Bill	Actual Payment	Difference
County	20.9%	391	314	77
Township	7.0%	131	105	26
City/Town	27.9%	523	419	104
School	41.8%	783	627	156
Library	1.7%	32	25	7
Special Districts	0.7%	13	10	3
Totals		1,873	1,500	373

- Example taxing district does not include any circuit breaker exempt rates.